GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Infrastructure & Investments Department – Andhra Pradesh Maritime Board – Kakinada Seaports Limited (KSPL) – Comfort letter to East Coast Concessions Private Limited (ECPL) for establishment of LNG Receiving and Re-gasification Terminal at Kakinada Deep Water Port – Orders – Issued.

INFRASTRCTURE AND INVESTMENTS (PORTS) DEPARTMENT

G.O.MS.No. 7 Dated: 08-07-2021.

Read the following:

1) Concession Agreement dated 19-3-1999 and supplementary agreement dated 25-8-2003 and 2nd supplementary agreement dated 28-1-2009.
2)Govt. Letter No.ENE01-PORT/13/2019, Dated 01.03.2019
3)From the Director, East Coast Concessions Private Limited (ECPL), Mumbai, Letter dated 29.04.2019
4)From CEO, APMB Letter No. 22/APMB/ 2021, dated 16-02-2021.

O R D E R:

The CMD, Kakinada Seaports Ltd has stated that the Kakinada Seaports Limited (KSPL), have entered into MOU (Term Sheet) with Vishakhapatnam Concessions Private Limited, Mumbai promoted by Hiranandani Group, Mumbai for setting up an LNG Receiving and Regasification Terminal at Kakinada Deep Water Port, with an Investment of approximately Rs. 1,000 Crores (Rupees One Thousand Crores). This would enable the overall development of Port Industry with potential alround development for the state of Andhra Pradesh in infrastructure sector. The Kakinada Seaports Limited would be sub leasing about 100 acres of land to build required infrastructure for loading LNG and other regasification activities. A Concession Agreement was entered between Govt. of Andhra Pradesh and International Sea Ports Private Limited (KSPL) on dated 19-03-1999 for development of Four shore connected berths at the Kakinada Deep Water Port, Kakinada.

2. As per clause 8.3(B) of the Concession Agreement dated 19-03-1999, the Concessionaire i.e M/.s KSPL may sub-lease any portion of the premises with prior intimation to GoAP for effectively implementing objects of the agreement. In the Term sheet dated 9th January, 2019 entered between VCPL and KSPL, it is mentioned that the parties shall be bound by the relevant terms provided in the Concession Agreement.

3. The Director of Ports, GoAP, Kakinada, has requested the Government to issue Comfort Letter as requested by M/S KSPL to M/s. Vishakhapatnam Concessions Private Limited, Mumbai, subject to the following conditions;

a) M/s KSPL shall submit Definitive Agreement before end of 6 months from the date of signing the Term Sheet.
b) Obtain Stage wise Project Approvals.
c) Obtain consent for Sub-lease of Land.

d) For continuation post 2049, M/s VCPL may directly negotiate with the GOAP on mutually agreed terms and conditions.

4. In the reference 2nd read above, Government issued in-principle approval to M/s. Kakinada Seaports Limited to issue comfort letter to M/s. Visakhapatnam Concessions Private Limited, Mumbai, for setting up an LNG Receiving and Re-gasification Terminal at Kakinada Deep Water Port, subject to the following conditions.

(i). Final approval will be given to VCPL to continue on the same terms and conditions as agreed in the Term-sheet signed by them, in the event of premature termination of the Concession period after review of various technical and financial issues in the Terms sheet by the Technical Committee and Empowered Committee as per G.O.Ms.No.2, E,I&I (Ports) Dept., dated 13-05-2015.

(ii). Obtain stage wise project approvals.

iii). Obtain consent for sub-lease of land.

(iv). M/s. KSPL shall submit Definitive Agreement before end of six months from the date of signing of the Term sheet.

(v). Technical Committee and Empowered Committee may also review Definite agreement and DPR.

(vi). For continuation, post concession period of the Concession Agreement entered between GoAP and M/s. KSPL, M/s VCPL may directly negotiate with GoAP on mutually agreed terms and conditions.

5. Consequent to the Govt. Orders, M/s. ECPL(Earlier name was M/s.VCPL) has been requesting comfort letter for setting up an LNG Receiving and Re-gasification Terminal at Kakinada Deep Water Port, in case of premature termination of Concession agreement between GoAP& M/s KSPL.

6. In the reference 3rd read above, the CEO, APMB has submitted that M/s. H-Energy have stated that they have entered into agreements with M/s. KSPL and that their bankers are insisting a comfort letter from Govt of AP., because the Project is heavily capital intensive and is unlikely to be commercially viable if the Project comes to conclusion upon cessation of the Concession period or termination of the Concession agreement between Govt of AP and KSPL for whatsoever reasons, ECPL should have continuity of operations and to run the terminal without any hindrance.

7. The CEO, APMB has further submitted that the request of the Company as insisted by their Bankers is genuine, because of the left-over shorter gestation of the Concession Period of M/s. KSPL on O&M of Kakinada Deep Water Port and setting up of LNG Terminal and its operations are long-term business operations. Therefore, it is necessary to extend all assistance as may be required in order to facilitate ECPL to continue with the project directly with AP Maritime Board or with the new Port operator in case of cessation of the Concession period or termination of the Concession Agreement with M/s. KSPL. There is no additional burden or commitment to AP Maritime Board/Government on this count, but

facilitates inviting LNG industry to set up in the area for the benefit of the people and industries in the vicinity.

8. The order of investment as projected by EPCL is in the order of Rs.1600.00 crores for Terminal development and Rs.200.00 crores for LCNG Stations in the first phase and Rs.3,600.00 crores in the second phase with direct and indirect employment potential of 450 - 500 + 150 - 200. AP Maritime Board will be getting 22% additional revenue share on the handling of LNG operations besides huge revenue to GoI/GoAP in the form of GST/VAT.

9. The CEO, APMB has requested the Government to permit the AP Maritime Board to issue comfort letter to East Coast Concessions Private Limited (ECPL) for establishment of LNG Receiving and Re-gasification Terminal at Kakinada Deep Water Port, in order to facilitate ECPL to continue with the project directly with AP Maritime Board or with the new Port operator in case of cessation of the Concession period or termination of the Concession Agreement with M/s. KSPL.

10. Government after careful examination of the matter, hereby permit the AP Maritime Board to issue comfort letter, after getting term sheet and the DPR and other related technical and financial issues, reviewed by the Technical Committee and the Empowered Committee of Secretaries, constituted under G.O.Ms.No.2, E.I&I Dept., dated 13.05.2015 to East Coast Concessions Private Limited (ECPL) for establishment of LNG Receiving and Re-gasification Terminal at Kakinada Deep Water Port, in order to facilitate ECPL to continue with the project directly with AP Maritime Board or with the new Port operator in case of cessation of the Concession period or termination of the Concession Agreement with M/s. KSPL.

11. The Chief Executive Officer, APMB shall take all necessary further action in the matter accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

R. KARIKAL VALAVEN
SPECIAL CHIEF SECRETARY TO GOVERNMENT

To
The Chief Executive Officer, APMB, Kakinada.
The Chairman & Managing Director, KSPL, Kakinada
through CEO, APMB, Kakinada
The Director, East Coast Concessions Private Limited (ECPL),
(through CEO,APMB, Kakinada
The Port Officer, Kakinada
Copy to:
The OSD to Secretary to Hon'ble CM
The OSD to Hon'ble M(I&I)
The Finance (Exp.FMU-IIEIC) Department
The GA(Cabinet) Dept.,
The PS to Spl.C.S., I&I Department.

//FORWARDED :: BY ORDER//

SECTION OFFICER